

Netjets Europe

Flying in a private jet may still seem like a far-off dream to many readers, but it is actually becoming a reality for more and more people. The drivers behind this reality are mainly infrastructural congestion that results in increased journey times, a lack of point-to-point flights and reduced inflight service standards on short-haul sectors. This means less opportunities for business travelers to be productive during their journey.



By Jurjan Knol

Since the introduction of the big jet-aircraft, passengers travelling first, business, and economy class are all carried on the same flight and on the same airplane. As a Boeing CEO once said: "I do not know of any other business that puts all three levels of service in one place". The supersonic Concorde was the last commercial airline to be specifically designed for transporting premium passengers. While low-cost airlines have successfully exploited the latent demand for air travel in most mature markets nowadays, another interesting development takes place at the high-yield end of the market. Because many airlines have removed or reduced their first class and business class products in order to compete with low-cost airlines, a niche market has emerged for NetJets Europe.

Unfortunately, the author did not have the opportunity to actually experience the NetJets product, which normally is an important ingredient of the 'Airline of the World' article. Nevertheless, he did meet Robert Baltus, Vice-President NetJets Benelux, to gain more insight in the product.

The NetJets Story

NetJets was established in the United States in 1964 as a private airline under the name Executive Jet Aviation, and was first to introduce the successful fractional ownership of private jets concept in 1986. In 1998, NetJets was acquired by Warren Buffett, CEO of the Berkshire Hathaway company, which gave NetJets access to the financial resources to support its growth ambi-

tions and fleet expansion. At that time, Buffet was a NetJets customer himself and he had a very strong belief in the future growth of the market in which NetJets operated. The European market was entered in 1996, followed by the Middle East in 1999. The NetJets customer base can be summarized as 50% private companies, 25% public companies, and 25% private individuals.

The Fractional Ownership Concept

The idea of fractional ownership came when Richard Santulli, Chairman and CEO of NetJets, was thinking of co-purchasing a private jet. During the evaluation process, he found that sharing one aircraft with co-owners with different schedules is quite difficult, even besides the responsibility for recruiting pilots and aircraft maintenance. His solution was a fractional ownership program, which offers the flexibility and certainty of a private jet, but without the responsibilities, because these are taken care of by NetJets. Fractional owners purchase a share of an aircraft related to the amount of flying they do, while at the same time they enjoy all the benefits of having a private jet, but only for a fraction of the cost to purchase, operate and maintain the aircraft. NetJets takes care of the aircraft, crew, maintenance, and scheduling, while the fractional owners only pay an hourly fee for using the aircraft and a monthly management fee. Because of the size of the NetJets' fleet, owners can also easily swap between aircraft types.

Some disadvantages of the fractional ownership concept could be the higher hourly costs when compared with a charter flight and the built-in positioning fees, normally around 20% of the hourly rate.

European Expansion

The Benelux is one of NetJets' fastest growing markets. Baltus: "The market has doubled since last year. Most of our new business comes from existing clients and personal referrals. That is the best promoting we can have". Amsterdam is the eleventh busiest airport for NetJets Europe, but The Netherlands counts for only three percent of all European flights, so there is a lot of room for growth.

What distinguishes the NetJets product from any other airline product is certainty and flexibility. Baltus: "You could charter an aircraft via a broker, but you do not know what airline or aircraft you will end up flying with. Owning a corporate business jet may be an option if there is a need for more than 500 flying hours per year. In this case, the aircraft operates for one main owner from one home base. But even then, the company has limited flexibility and incurs high costs because of maintenance requirements, limitations on crew duty hours and so on. What we offer is guaranteed availability of an aircraft within ten hours, no extra fees for positioning flights, and access to 555 airports within Europe."

The most important reasons for companies to use business jets include the need to create their own schedules, the value of time, the need to be face-to-

face, increased productivity en-route, safety, security, and confidentiality. The actual demand for business aviation is defined by the availability of alternative transportation solutions, possible users of the aircraft within the company, and corporate culture.

NetJets Europe offers two different programs from which clients can choose, depending on their travel needs. The first program is based on the fractional ownership concept, designed for clients that fly more than 50 hours per year. For clients wanting to fly less than 50 hours per year, NetJets offers different card programs, starting from 25 flying hours at €125,000. This winter, a special Ski Card program was introduced. With this card, clients can fly in a private jet for up to 10 hours to any ski resort in Europe.

Safety Standards

Flying into some of the smaller airports in Europe, like St. Moritz in the Swiss Alps, is very demanding. For this reason, NetJets pilots have an average of 9,000 hours of flight experience, and some pilots even have piloted Air Force One. All new aircraft are equipped with the latest technology, such as the Traffic Alert and Collision Avoidance System and the Ground Proximity Warning System. The IATA Operational Safety Audit was also obtained. All the operational activities are co-ordinated from its operational headquarters in Lisbon, where NetJets Europe is registered under the name 'NetJets Transportes Aéreas SA'.



NetJets Fleet

NetJets currently operates a fleet of over 600 aircraft, from which around 100 aircraft are based in Europe. Its fleet, comprising 14 different aircraft types, has an average age of less than three years and is equal in size to that of the second largest airline worldwide. European clients have access to all types of aircraft, ranging from the small Cessna Citation Bravo to the Boeing Business Jet. In December 2005, NetJets placed a major order with Raytheon Aircraft for 50 aircraft of the Hawker 4000 type, representing a total value of one billion Euros. This business jet is one of the fastest in its category and can take up to seven passengers from e.g. Amsterdam to Athens. In 2005, the NetJets fleet has flown over 300,000 flights to 140 countries.

Aircraft type	Capacity	Range in distance / time	Speed
Cessna Citation Bravo	7 pax	2,570 km / 4.4 hours	695 kph
Raytheon Hawker 400XP	7 pax	2,541 km / 3.8 hours	796 kph
Cessna Citation Excel	7 pax	2,911 km / 4.6 hours	750 kph
Raytheon Hawker 800XP	6 pax	4,672 km / 6.6 hours	796 kph
Dassault Falcon 2000	10 pax	6,855 km / 8.8 hours	843 kph
Gulfstream V	14 pax	11,911 km / 14.0 hours	904 kph
Boeing Business Jet	18 pax	9,730 km / 12.7 hours	850 kph

Flying into the Future

The market for fractional ownership is one of the fastest growing markets in aviation. The number of aircraft orders NetJets placed with a number of business jet manufacturers speaks for itself. The East-Asian market is still uncharted territory for business aviation due to restrictive bilateral air service agreements. Besides that, more and more established airlines are starting

to realize that their premium passengers deserve special attention. KLM and Lufthansa have started full business-class services to the United States in cooperation with the Swiss airline PrivatAir. In addition, Lufthansa inked a deal with NetJets in March 2005 for their "Lufthansa Private Jet" program. This service allows their premium passengers to use a NetJets business jet from any European destination to Frankfurt or Munich, con-

necting to their intercontinental flight. Lufthansa takes care of the slots at Frankfurt, which are normally difficult to get. Baltus: "In case Frankfurt is too congested, the NetJets flights will divert to Egelsbach, where a limousine awaits the passengers for the short transfer to Frankfurt". With this integration of private and scheduled aviation, a new network for premium travel emerges, where premium travelers can fly in business jets with big seats to any airport they wish. There may even be enough demand for designing a successor to the Concorde, if you would disregard the high fuel prices. Maybe that's the way to fly into the future...

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Sources

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www.netjets.com

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